

JAN 15 2025

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# A BILL FOR AN ACT

RELATING TO GOVERNMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that in the mid-20th  
2 century, Hawaii's economy was predominantly agrarian, with  
3 significant revenues derived from plantations, tourism, and  
4 military expenditures. During this period, the State assumed  
5 responsibilities in education, health, public safety, and other  
6 sectors that, in other states, are typically managed by the  
7 counties. The intent was to protect rural communities from  
8 excessive property taxation and to capitalize on economic  
9 pillars centered in Honolulu. As a result, the State became the  
10 primary entity responsible for funding and administering  
11 services in these critical sectors.

12           The legislature notes that in the 21st century, Hawaii's  
13 economic landscape has undergone a dramatic transformation.  
14 Real estate investments have surged, and there has been a  
15 notable increase in non-resident property ownership, which has  
16 contributed to a housing affordability crisis. The State's  
17 property tax rates, which are among the lowest in the nation,



1 have attracted speculative investments and led to the  
2 proliferation of vacant homes. These properties are often held  
3 as second or third homes or used as short-term rentals, reducing  
4 housing availability for residents. Many of these property  
5 owners contribute minimally to state revenues since many do not  
6 pay state income tax and have limited exposure to general excise  
7 taxes due to their non-resident status.

8 The legislature recognizes that Hawaii's fiscal structure,  
9 where the State predominantly funds education, health, and  
10 public safety, has resulted in challenges in revenue generation  
11 and equitable service delivery. The legislature therefore  
12 recognizes the need to reexamine and redefine the roles,  
13 responsibilities, and funding mechanisms of Hawaii's state and  
14 county governments. This examination and restructuring will  
15 help address the State's urgent need to ensure that property tax  
16 revenues and other financial resources are equitably utilized  
17 and that the responsibilities for public services are  
18 appropriately allocated to enhance government and public service  
19 outcomes.

20 Accordingly, the purpose of this Act is to establish and  
21 appropriate moneys for a select commission on government



1 restructuring to examine and provide recommendations on the  
2 allocation and sharing of funding and duties between the State  
3 and the counties, particularly in the areas of education,  
4 health, and public safety.

5 SECTION 2. (a) There is established the select commission  
6 on government restructuring, which shall be placed within the  
7 office of the governor, for administrative purposes. The  
8 commission shall comprise the following members:

- 9 (1) The governor, or the governor's designee, who shall  
10 serve as the chairperson of the commission;
- 11 (2) The director of transportation, or the director's  
12 designee;
- 13 (3) The chairperson of the board of land and natural  
14 resources, or the chairperson's designee;
- 15 (4) The superintendent of education, or the  
16 superintendent's designee;
- 17 (5) The director of public safety, or the director's  
18 designee;
- 19 (6) The director of law enforcement, or the director's  
20 designee;
- 21 (7) The director of health, or the director's designee;



1 (8) Two members of the senate, to be appointed by the  
2 president of the senate;

3 (9) Two members of the house of representatives, to be  
4 appointed by the speaker of the house of  
5 representatives; and

6 (10) Two citizens with expertise in public administration,  
7 finance, or a related field, chosen and invited to  
8 participate by the governor.

9 (b) Members shall serve until the commission dissolves;  
10 provided that any vacancies shall be filled in the same manner  
11 as the original appointments.

12 (c) Members shall serve without compensation but shall be  
13 reimbursed for reasonable expenses, including travel expenses,  
14 necessary for the performance of their duties.

15 (d) The commission shall:

16 (1) Examine the current allocation of responsibilities and  
17 funding between the state and county governments, with  
18 a focus on education, health, and public safety;

19 (2) Assess the impacts of the State's property tax  
20 structure on the affordability and availability of



- 1 housing, including the prevalence of vacant homes and  
2 non-resident property ownership;
- 3 (3) Explore models for bifurcating and sharing duties and  
4 funding between the State and counties to enhance  
5 efficiency, equity, and responsiveness to local needs;
- 6 (4) Consider the potential for structural flexibility to  
7 allow counties to assume greater responsibility in  
8 certain areas, and the implications of reallocating  
9 duties among the State and counties;
- 10 (5) Develop recommendations for legislative,  
11 administrative, or policy changes to realign  
12 government functions and funding mechanisms in  
13 accordance with current economic and social  
14 conditions; and
- 15 (6) Engage with stakeholders, including government  
16 agencies, community organizations, subject matter  
17 experts, and the public to inform its deliberations  
18 and recommendations.
- 19 (e) The commission shall submit to the legislature:



1 (1) An interim report of its findings and recommendations  
2 no later than twenty days prior to the convening of  
3 the regular sessions of 2026 and 2027; and

4 (2) A final report, including its findings and  
5 recommendations and any proposed legislation, no later  
6 than twenty days prior to the convening of the regular  
7 session of 2028.

8 (f) The commission shall meet as determined by the  
9 chairperson and shall hold at least one public hearing in each  
10 county to solicit input from the county's residents.

11 (g) The office of the governor shall provide  
12 administrative support to the commission. The commission may  
13 also request assistance from other state agencies as the  
14 chairperson deems necessary.

15 (h) The commission shall dissolve on December 31, 2027.

16 SECTION 3. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$ or so much  
18 thereof as may be necessary for fiscal year 2025-2026 and the  
19 same sum or so much thereof as may be necessary for fiscal year  
20 2026-2027 for the administration and operational expenses of the  
21 select commission on government restructuring, including



1 personnel costs, research, stakeholder engagement, and report  
2 preparation; provided that all moneys from the appropriation  
3 unencumbered as of June 30, 2027, shall lapse as of that date.

4 The sums appropriated shall be expended by the office of  
5 the governor for the purposes of this Act.

6 SECTION 4. This Act shall take effect on July 1, 2025.

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INTRODUCED BY: \_\_\_\_\_

A large, bold, handwritten signature in black ink, written over a horizontal line. The signature is highly stylized and cursive.

# S.B. NO. 375

**Report Title:**

Office of the Governor; Government Restructuring; Commission;  
Appropriation

**Description:**

Establishes and appropriates moneys for a Select Commission on Government Restructuring. Requires an interim report and final report to the Legislature. Dissolves the Commission on 12/31/2027.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

